Erie County Cultural Funding
INFORMATIONAL MEETING

January 21, 2015

Agenda

- Welcome
- 2015 Contracts
- Overview of EACAB Charge/Mission
- Positive Trends
- Cautionary Trends
- Foreshadowing 2016 Cultural Funding
- Comments/Questions

2015 Contracts

- Will be mailed by the end of February 2015

Overview: EACAB Charge & Mission

- Erie Arts & Cultural Advisory Board (EACAB)
  - Does *NOT* evaluate your art
  - Reviews your organization in the areas of:
    - Governance
    - Management/Planning
    - Fiscal Health
    - Community Impact
    - Alignment of programming with mission

Feedback Letters

- Letters were sent to all organizations who applied for 2015 Erie County Cultural Funding
- Exemplary Items / Issues & Concerns
  - No Response Required
  - Purpose:
    - Feedback offered to organizations
    - May help improve future applications to any source
    - To provide continuity for future EACAB reviews of applications

Purpose of Review

- Extra Care for public funds
- Avoid problematic publicity
- External Governance Audit
- Ensure serious future planning

Review Process

- Organizations are sorted by budget size
- Strengths & challenges are more comparable in a financial peer group
- Complexities of multi-million dollar budgets
- Special issues for large collecting organizations

Review Process

- Volunteer Board with Significant Support from Environment & Planning Staff
- 4 Committees
- Committee Assigned 14 – 18 Applications
- Chair for Each Committee
- Lead Reviewer & 2 Readers for an Application
- Report for every Application = standard form
- Form follows questions on Application

Overview

- 7 New Applicants
- 64 Total Applications
- Budget range: $8,000 to $11.5 million
- Staffing Range:
  - many led by all volunteers
  - Largest with dozens of employees

Overview, cont'd:

- Some exciting, young organizations
- Some refreshed energy from well-established
- Some truly thoughtful strategic plans
- Some serious organizational challenges

Overview: By Budget Size

- Budget < $50,000 = 14 organizations
- Budget < $200,000 = 30 organizations
- $200,000 - $600,000 = 17 organizations
- $600,000 - $1 million = 8 organizations
- Budget > $1 million = 10 organizations

Overview - 64 Applicants

- 12 Theaters
- 5 Choirs or Choruses
- 8 Orchestras, Bands, Music Groups
- 2 Dance Groups
- 8 Museums & Big Collections
- 6 House Museums
- 9 Smaller Museums & Galleries
- 14 Other

Positive Trends

- The amount of money going into the sector from various sources is impressive!
    - *$5.64 million from Erie County/$60 million*

- REDC Buffalo Billion - Leading areas for growth include:
    - Advanced Manufacturing
    - Life Sciences
    - **Tourism – Cultural Attractions and Assets**

Positive Trends

- Fresh leadership at many organizations

- Robust programming returning after recent economic distress

- Growing Audiences

- Some exceptional strategic plans

- National Accreditation

- Good use of working boards and volunteers to advance the mission of smaller organizations

Positive Trends, cont'd.

- Increased programmatic & operational partnerships
- Tourism connections & potential
- Increasing national & international media attention on sector
- Rich variety of mission & activity
- Anticipated investments in physical places, care of collections, exhibits, increasing staff, etc.

Cautionary Trends

- Governance Concerns
- Compliance with NYS Non-profit Revitalization Act
- Financial Concerns
- Not Completing Application Requirements
- Sloppiness

Cautionary Trends:
Focus on Governance – Board Evaluations

- "… describe if and how your governing board performs an annual self-evaluation."

Focus on Governance: Board Self-Evaluation Update

- Last year 20+ organizations did not answer question about board self-evaluation
- This year – only 1
- Darwin Martin House asked CEPA & Just Buffalo to advise them
- 26 organizations now describe a process for board self-evaluation

Focus on Governance: Board Self-Evaluation

- Confusion about Board self-evaluation, program evaluation, and strategic plan evaluation

Focus on Governance: Board Self-Evaluation

- Excellence 4: response & process described
  - CEPA
  - Explore & More
  - Just Buffalo
  - Squeaky Wheel

Cautionary Trends:
Focus on Governance – Board Evaluations

- Tools:
  - Graycliff – McKinsey Model for non-profits
  - Just Buffalo – Board Source "10 Basic Responsibilities for Board Members"
  - BP Chorus & Orchard Park Chorale - Chorus America Model
  - Roycroft – NYCON Model
  - Torn Space – National Center of Nonprofits Model

Focus on Governance:
Board List, Terms & Terms of Officers

- How many applicants?

- "List of all current board members & officers as of July 1, 2014. For each member indicate term, length of service & if board member is independent."
- "For each officer, indicate length of their term in that position."

Focus on Governance:
Board List, Terms & Terms of Officers

- 29 applicants answered the question about the term served by current officers

- (35 did not answer)

Governance Concern: Board Leadership

- Questionable **independence** of governing boards – 20+ organizations did not answer
- See new NYS law
- Bylaws in effect? Compliance with document?
  - Bylaws not dated or have not been updated
  - Number of trustees
  - Membership corporations - confusion

Governance Concern: Board Leadership

- Gender diversity on boards
  - Erie County is 48% Male, 52% Female (2010 US Census)
  - Used 60/40 as benchmark

Governance Concern: Board Leadership

Gender diversity on boards , cont'd.

- 930 total trustees (Increased from 2014): More balance
  - 525 male – 56.45%
  - 405 female – 43.54%

- **Largest organizations by budget size have least gender balance on governing boards**

Governance Concern: Board Leadership

- Board Contributions
  - Board members as donors
  - Underreported?
  - Not tracked?
  - Organizations do not receive financial support from their leaders/board?
  - 15 appear to have 100% support
  - Well-documented in kind support

Cautionary Trends:
Focus on Finance

- Increasing estimates of support from NYS
- Funding Requests above 30% of organization's most recent expense budget (over reliance on one source of funding)
- Federal funding for NEA may be at risk
- Multi-year operational deficits
- Forecasting – overly optimistic?
- Cash flow *forecast* vs. statement (33)
- 990s – compliance with 2008 changes

Cautionary Trends:
Focus on Finance

- Erie County is a significant donor
- Largest donor for **X** organizations
- Insignificant or Lack of acknowledgement, recognition of Erie County's support.
  - 2014 & 2015 application states:

RECOGNITION FOR COUNTY GRANTS:

Please also be advised that if your Organization is awarded funding, you must commit to acknowledging Erie County as a funding source on your organization's website, marketing materials, and/or other publications.

Cautionary Trends: Incomplete Applications

- Absence of required, supporting documents
- 1 year of financial data (3 is optimal & may be required)
- Ignoring or incomplete essay questions

Answer the question

- Describe if & how board evaluation conducted:
  - "we have non-board members as bookkeepers"
  - "board has the ability to perform a SWOT analysis"
  - "reports made at quarterly meetings on progress of preservation,…fund raising,…research,… outreach…"

Sloppiness

- Include best/current attachments
  - Bylaws sent with strike-outs
  - Previous version of by-laws, 10 years old
  - Think ahead, prepare now
  - Update documents routinely
  - Date all governance documents & policies

Help & Assistance

- Applicant Briefing held May 10, 2014
- Arts Services Initiative (ASI)
  - Offers training & programs on financial & technical matters, and basic strategic planning

- Application can not be undertaken at last minute

Foreshadowing: NYS Nonprofit Revitalization Act

- Effective July 1, 2014
- Mandatory Conflict of Interest Policy
  - Required for <u>ALL</u> nonprofits & trusts
  - Must cover directors, officers & key employees
- Disclosure Statements
  - Prior to initial election of any director
  - Signed, collected, evaluated, recorded <u>annually</u>
- Minutes reflect issues of conflict for certain people & their non-participation in discussions & votes

Nonprofit Revitalization Act, cont'd

- Mandatory Whistleblower Policy
- New definition of "entire board"
  - If bylaws provide board size range between minimum and maximum number
  - Determines quorum

Nonprofit Revitalization Act, cont'd

- No employee may serve as Board Chair
- New definition of independent director & trustee
  - Not an employee in past 3 yrs.
  - Not a relative of a key employee of past 3 yrs.
  - Not received $10,000 or more in direct compensation
  - Not a current employee or having a substantial financial interest

Foreshadowing:
2016 Cultural Funding

- Cultural Data Project – may be dropped
  - Self-reported numbers are problematic
  - Separation of capital expenses from operating budget
  - CDP does not require balance sheet information
  - Erie County may require balance sheet
  - Cost to Erie County diminishes funds available
  - Different attachments/reporting requirements

Foreshadowing: Essay Questions

- Would be very close to those in past

- Opportunity to use questions to your benefit

- "Describe your biggest challenges and how you plan to address them."

- "Please describe if and how your governing board performs an annual self-evaluation."

Foreshadowing:
2016 Cultural Funding

- Shifts in Scope of EACAB
  - In past years, recommended fund/not fund;
  - 2014 & 2015 process, EACAB has also recommended consistent/increased/investment increase or decreased funding.
  - The administration has favored sharing constructive feedback with applicants.
    - Feedback letters contained comments on exemplary qualities/accomplishments as well as items of concern to help guide future funding applications and reviews

Foreshadowing:
2016 Cultural Funding

- Anticipated release of 2016 Cultural Funding Application in early May 2015

- Orientation will be held shortly thereafter to highlight changes

Foreshadowing:
2016 Cultural Funding

- 2016 process will include multiple channels of communication:
  - Email/Mail Notifications
  - Website Announcements
  - Facebook & Twitter Blasts
  - ASI Notifications
- Same information is provided to all county legislators

Contact Information

- Contracts
  - Joan Braciak
  - (716) 858-7643
  - culturalfunding@erie.gov

- Application/Questions
  - Rachel Chrostowski
  - (716) 858-8002
  - rachel.chrostowski@erie.gov